

MEMORANDUM FOR: Deputy Director for Management and Services  
SUBJECT : Air America - Renegotiation Board Activities

1. As you are aware the Renegotiation Board requested that Air America file information before that Board for the years 1968 to date. Several attempts were made to avoid this filing but at the direction of the Agency the company reluctantly filed.

2. Since that time Mr. Clyde Carter has been meeting with the Renegotiation Board and the Office of General Counsel has had contact with the Board. Both Mr. Carter and the General Counsel confirmed that the Renegotiation Board is apparently intent on forcing Air America to pay an alleged excess profits tax for certain years of operation in which there was a profit deemed excess. Whether they are interested in pursuing this for some token amount of money or whether they are seeking to get all the funds they can from the company, I do not know.

3. Mr. John Warner contacted me today and advised me of this situation and estimated that the Renegotiation Board would pursue this claim. He agreed that this is somewhat ridiculous and bureaucratic since the U. S. Government will get the money under any set of circumstances. He states, however, that the Board feels that their records must be open to the public and that they are bound to follow action against Air America. Mr. Warner proposes that we let the Renegotiation Board and the company negotiate this action to its conclusion. He agrees that this does not make a lot of sense but he has no alternative suggestions at this time.

-2-

4. I accepted Mr. Warner's comments and told him that I intended to advise you of this matter. The entire transaction of the Renegotiation Board will be a **useless** exercise and there are many reasons why I think we should **avoid** subjecting the company to any payments. First of all, the profits are **not** excessive when you consider the war situation in which the company is **operating** and the requirement by the Agency that the company maintain a position whereby it can be liquidated without the requirement for appropriated funds. Secondly, if the company is to continue to operate it may need all the funds that it now has since the current cutback in flying is sufficient to cause the company to operate at a loss. Thirdly, in any case monies from the Air America proprietary will accrue to the **Government** and I think they should accrue to the Agency rather than to the **Treasury** through a tax court.

5. At any rate I thought you should be alert to this particular problem since it could have an adverse effect over any funds derived from the disposition of Air America, I believe the Director should be briefed on this matter. I also believe OMB should be briefed on this possibility. Finally, I think we should continue to look for ways to avoid this useless exercise. Perhaps OGC can take another look at the situation to see what might be possible. I do not know whether there are "closed" sessions in the Court of Claims but I would suggest that one possibility would be to let the Renegotiation Board take the company to the Court of Claims, brief the court on the true ownership of the company and urge them to dismiss the Renegotiation Board action on the grounds that the issue is moot since the Government is suing itself. This would leave the Renegotiation Board with a record they could defend with the courts accepting responsibility for dismissal of the action.

6. At any rate, I envision this to be a serious problem which will cause the U.S. Government a number of problems and a lot of expenses which is totally unnecessary under the circumstances.

Charles W. Kane  
Special Assistant to the  
Deputy Director  
for Management and Services

cc: General Counsel  
OAC

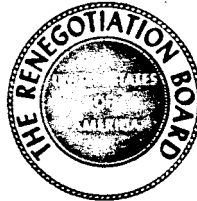
STAT

Approved For Release 2005/04/21 : CIA-RDP76-00702R000200080018-0

Approved For Release 2005/04/21 : CIA-RDP76-00702R000200080018-0

10/18

REGISTERED MAIL  
RETURN RECEIPT  
REQUESTED



WASHINGTON, D.C. 20446

October 17, 1973

Re: LPI No. 96507 &  
96508

FYE: 1967 through 1972

Air America, Inc.  
1725 K. Street, N.W.  
Washington, D.C. 20006

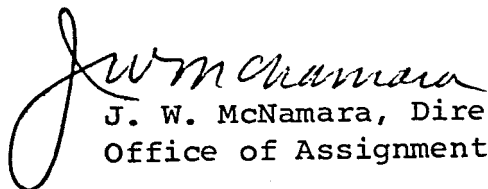
Attention: Mr. Clyde S. Carter  
Senior Vice President

Gentlemen:

The Board has considered the request contained in your letter of October 15, 1973 that you be granted an additional extension of time within which to file renegotiation data on behalf of yourself and your subsidiary companies for the fiscal years 1967 through 1972.

Based upon the information and circumstances set forth in your letter of October 15, 1973, the Board has further extended the time within which you are to furnish the required renegotiation data to November 16, 1973.

Very truly yours,

  
J. W. McNamara, Director  
Office of Assignments

**THE PACIFIC CORPORATION**

1725 K Street, N.W.  
Washington, D. C. 20006

Telephone 223-6130

16 October 1973

Ref.: WC-73-4015

The Renegotiation Board  
2000 M Street, N. W.  
Washington, D. C. 20446

Reference: LPI No. 96509

Attention: Mr. J. W. McNamara, Director, Office of Assignments

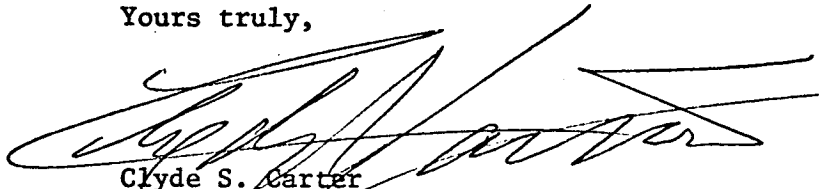
Dear Sirs:

By your letter dated August 13, 1973 you notified The Pacific Corporation to file "Standard Form of Contractor's Report" (RB-1) for its fiscal years ended 1966 through 1973, such filings to be accomplished by August 27, 1973. Subsequently, we requested an extension of time for said filing and you accorded such extension to October 16, 1973.

As a result of a meeting between Messrs. McNamara and Grenough of the Board, and our representatives, Messrs. Bolden and Sinner, on October 15, 1973, we understand that it is not necessary for The Pacific Corporation to file the RB-1 Reports inasmuch as The Pacific Corporation is a holding company and derives no income from operations.

The purpose of this letter is to thank the Board's staff for its helpfulness to our representatives and to confirm that we will not file RB-1 Reports on behalf of this Company.

Yours truly,



Clyde S. Carter  
Senior Vice President

**AIR AMERICA, INC.**

1725 K STREET, N.W.  
WASHINGTON, D.C. 20006

TELEPHONE (202) 223-6130

CABLE ADDRESS  
AIRAMERICA

15 October 1973

Ref.: WC-73-4014

The Renegotiation Board  
2000 M Street, N. W.  
Washington, D. C. 20446

Reference: LPI No. 96507 (Air America)  
LPI No. 96508 (Air Asia)

Attention: Mr. J. W. McNamara, Director, Office of Assignments

Dear Sirs:

Pursuant to letters from the Board addressed to Air America, Inc., we are at this time under compunction to file with the Board the "Standard Form of Contractor's Report" (RB-1) for Air America and its wholly-owned subsidiary Air Asia Company Limited, for our corporate fiscal years ended 1966 through 1973. The purposes of this letter are, to record that the writer has pointed out to both Mr. McNamara, and to the Board's General Counsel Mr. Lambert, that we have in fact an exemption running through our fiscal year 1966, and to request an extension of time from October 16, 1973 to November 16, 1973 to file the RB-1 Reports for Air America and Air Asia Company Limited, (we note that the fiscal year for both Air America and Air Asia Company Limited is April 1 through March 31.)

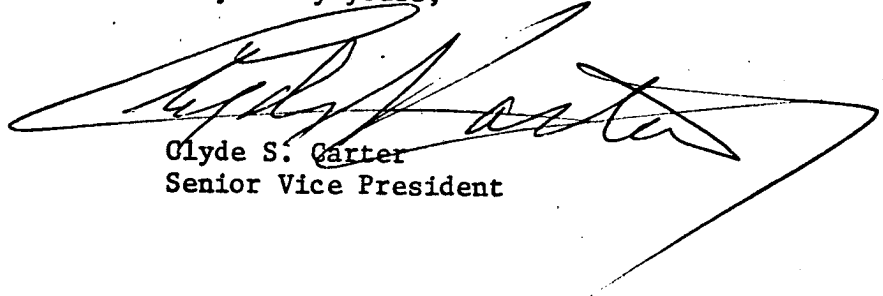
We acknowledge and are most appreciative for the assistance and clarification regarding the completion of the RB-1 Forms which was accorded to our representatives, Messrs. Bolden and Sinner, by the Board's representatives Mr. McNamara and Mr. Grenough at the conference at your offices today. During that conference it became apparent that we do need more time to gather additional information in order to enable us to properly complete the Reports. As we have advised, our Accounting and Controller's staff, and accounting records are located in Taipei, Taiwan and our means of communication is via mail and teletype, the latter of which is often unreliable due to mechanical error in the transmission of figures. Further, for the past half year we have been and are currently phasing-out our Taipei office functions and have lost many of our people who were familiar with the records which we find that we must review, going back to 1967, and it thus has created an unusual workload on our remaining reduced staff.

We do believe that an extension of the additional period herewith requested would enable us to timely file, on or before the extension date of November 16, 1973, the pertinent RB-1 Reports in properly completed fashion and, thus, that the extension herewith requested

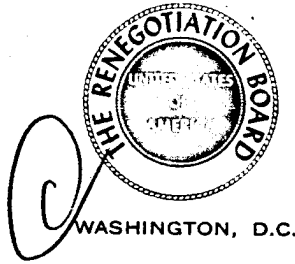
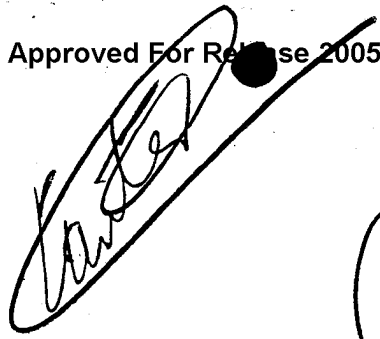
until November 16, 1973 would also prove expeditious in the interest of the Board's own staff.

Your favorable consideration of the above request is herewith solicited.

Very truly yours,

A large, stylized handwritten signature in black ink, appearing to read 'Clyde S. Carter', is written over the typed name and title.

Clyde S. Carter  
Senior Vice President



WASHINGTON, D.C.

October 12, 1973

Honorable Terence E. McClary  
Assistant Secretary of Defense  
Comptroller  
Office of the Secretary of Defense  
Washington, D. C. 20301

Re: Air America, Inc.  
Fiscal years ended 1967  
through 1973

Dear Mr. McClary:

With further reference to your letter of September 24, 1973, and my reply of October 3, 1973, this is to advise that the Board has carefully reviewed your request for exemption of Air America, Inc., for the years 1967 through 1973, under Section 106 (d) (1) of the Renegotiation Act and Part 1455.2 (d) of the Renegotiation Board Regulations.

The Board has a strong reluctance to grant the requested exemption for a number of reasons, all of which appear to be sound and determinative. First, the practice of DOD requesting exemptions for subject contracts was discontinued in 1966. The present Board is unaware of any appropriate reason for Air America's subsequent lack of compliance with the reporting requirements of the Act and regulations. The Board's files are devoid of any formal or informal communications justifying the absence of compliance with the filing requirements since the 1966 year or the rationale for DOD not making an application for exemption as has been done in previous years. *not so*

Secondly, it is our understanding that the assets of Air America, Inc. are in the process of being sold. Irrespective of the alleged cost and time involved to file for the years involved, it does not now appear a proper justification to provide after-the-fact exemptions under Section 106 (d) (1) for a period of seven years. Even though exemptions were granted prior to 1967, such after-the-fact application of this exemption was not contemplated by the Act or by our regulations. *wrong*

With the cessation of America's direct involvement in the Southeast Asia war, it is not persuasive to the Board to allege the program is of such direct and immediate concern to the defense of the United States that the refusal to grant the exemption for the years in question would jeopardize the success of the program.



- 2 -

Additionally, any of the provisions of Part 1455.2 (d), applied singularly or collectively, do not appear to justify the Board's granting the requested exemption at this time. H.S. 1

Since the United States has ceased hostilities in the Far East and the issue of national defense in that area is not now involved, the Board firmly believes that at this time it would not be in the public interest to provide after-the-fact exemptions to contractors for their fiscal years 1967 through 1973. On the contrary, the Board believes it is in the best interests of the Government and the public, that subject contractor file the required RB-1's for its fiscal years noted above. Therefore, the Board must deny the requested exemption and will expect to receive the filings for the years 1967 through 1973. We regret that we cannot comply with your request. Your interest in this matter is appreciated. L.S. 1  
J.G. 1

Sincerely,



W. S. Whitehead  
Chairman

cc: Air America, Inc.  
1725 K Street, N.W.  
Washington, D. C. 20006

Attention: Mr. Paul C. Velte, Jr.  
Chief, Executive Officer  
and Treasurer